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**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**ORIGINAL**

In the Matter of Applications for Consent )  
to the Transfer of Control of Licenses and )  
Section 214 Authorizations from Ameritech ) CC Docket No. 98-141  
Corporation, Transferor, to SBC )  
Communications Inc., Transferee )

**REPLY COMMENTS OF MCI WORLDCOM, INC.**

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## **EXECUTIVE SUMMARY**

The overwhelming majority of those commenting on the proposed SBC-Ameritech merger oppose it because they recognize that the merger would produce the worst of both worlds: no more competition out-of-region than would occur without the merger, and less competition in-region. SBC's and Ameritech's "national local" plan is a scheme to shut down local phone competition within their own regions before it is allowed to begin — and thereby to monopolize both "national local" and "regional local" service. SBC and Ameritech have been extremely successful in thwarting local exchange competition to date; certainly the public interest is not served by giving them the scale, scope, and means to become even better at it.

Indeed, most commenters note that the alleged *raison d'être* of the merger — that SBC and Ameritech need to merge in order to have the resources to compete for local phone service out-of-region — is absurd. Those commenters include, most significantly, competitive local exchange carriers ("CLECs") only a fraction of the size of SBC or Ameritech who are finding the resources to attempt to compete in local phone markets without the monopoly-generated profits that both SBC and Ameritech currently enjoy.

Many commenters also note the prominent negative effect this merger will have on the ability of regulators and competitors to benchmark. The purpose of benchmarking is to compare the performance of incumbent local exchange carriers ("ILECs") and make it possible to measure whether ILECs are doing what can be done to open their local markets to competition — and whether they are providing monopoly services including exchange access on reasonable and nondiscriminatory terms. In the current environment, with no meaningful local exchange competition anywhere, a reduction in the ability to benchmark would be a serious blow to efforts to pry open local phone markets everywhere.

Many commenters ask the Commission to focus on the fact that the combination of SBC-Ameritech and BA-GTE would lead to a virtual duopoly in the provision of local phone service in the United States — “Bell West” and “Bell East.” This concentration would put over 70% of the access lines in the United States into two hands, and substantially threaten what little progress has been made to date in opening up local phone markets. The Commission said in the context of the Bell Atlantic-NYNEX merger that it would not permit a reconstitution of the old Bell System. To prevent that outcome, the line must be drawn here.

The few commenters who support the merger have not undertaken a complete analysis of the merger’s competitive impact and therefore fail to justify Commission approval. This is made all the more clear by the overwhelming opposition to the merger of parties who represent the interests of residential customers. They oppose the merger because they already realize that this merger offers them nothing — a fact that the few large business customers who now support the merger will come to recognize in time.

Finally, no commenter disputes MCI WorldCom’s showing that the merger could reduce competition to provide Internet services by giving SBC and Ameritech control over access by and to one-third of residential and business customers that use the Internet.

## REPLY COMMENTS OF MCI WORLDCOM, INC.

MCI WORLDCOM, Inc. ("MCI WorldCom") hereby submits its reply comments opposing the joint application of SBC Communications, Inc. ("SBC") and Ameritech Corporation ("Ameritech") for approval of their proposed merger.

### **I. THE COMMISSION MUST SCRUTINIZE THIS MERGER IN THE CONTEXT OF THE LACK OF LOCAL EXCHANGE COMPETITION IN SBC'S AND AMERITECH'S REGIONS AND THE REASONS FOR IT.**

There is no doubt that SBC and Ameritech have monopoly control over local exchange access in their respective regions.<sup>1</sup> The marriage of two large monopolists with such broad market power in each of their own regions and who collectively would control over one-third of the nation's access lines is enough in itself to require careful examination in the current environment of no competition.<sup>2</sup> But in order to fully appreciate the profound negative impact that a merged SBC-Ameritech would have on the prospects for local exchange competition, one must understand the myriad ways that each has thwarted competition to date, independent of one another. CLECs like MCI WorldCom — with substantial money on the line and facing

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<sup>1</sup>The Commission has recognized that "incumbent LECs continue to dominate the market for local exchange and exchange access service to business customers" and that, in many places, "the incumbent LEC's market share is or approaches 100 percent." *In re Application of WorldCom, Inc. and MCI Communications Corporation for Transfer of Control of MCI Communications Corporation to WorldCom, Inc.*, Memorandum Opinion and Order, ¶¶ 168, 72 CC Docket No. 97-211, FCC 98-225 (rel. Sep. 14, 1998) ("*MCI-WorldCom Order*").

<sup>2</sup> Staff of the Illinois Commerce Commission recently recommended that the merger be rejected because of competitive concerns, and in so finding, stated that "no conditions" imposed on SBC-Ameritech could result in fulfillment of the Illinois statutory requirement that the merger "is not likely to have a significant adverse effect on competition." Direct Testimony of the Staff of the Illinois Commerce Commission, Docket No. 98-0555 (October 28, 1998) ("ICC Staff Testimony") (Testimony of Judith Marshall at 4-9). A copy of the Illinois Staff's testimony is on the Internet at [http://www.icc.state.il.us/icc/Telecom/1998/080598\\_sbc](http://www.icc.state.il.us/icc/Telecom/1998/080598_sbc). The ICC Staff also detailed Ameritech's dominant monopoly position in Illinois and the lack of any effective local exchange competition throughout Ameritech's monopoly region in Illinois. See ICC Staff Testimony (Testimony of Christopher L. Graves).

determined opposition to get into local phone service — all report a deeply disturbing pattern of obstructionism on the part of SBC and Ameritech in comments that have been filed with the Commission. All of these CLECs confirm what MCI WorldCom highlighted in its initial comments — that Ameritech and SBC have waged an aggressive campaign within each of their in-region states in order to prevent local exchange competition from developing. *See* MCI WorldCom Comments 3-9.<sup>3</sup>

Thus, commenters highlight for the Commission one of the most egregious examples of anticompetitive conduct on the part of any ILEC anywhere: Ameritech's refusal to this day to provide shared transport to CLECs, despite the fact that this Commission, state commissions, and the Eighth Circuit have all found that Ameritech *must* provide shared transport to CLECs.<sup>4</sup> AT&T Petition to Deny 17; Sprint Petition to Deny 53-54; MCI WorldCom Comments 4-5. Other commenters have also noted a host of related egregious acts that Ameritech has undertaken: for example, its unlawful pattern of refusing to pay reciprocal compensation for local calls to Internet Service Providers, and the misleading PIC freeze practices that Ameritech has

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<sup>3</sup>Comments and petitions to deny are cited by the name of the party that filed them.

<sup>4</sup>*See In the matter, on the Commission's own motion, to consider the total service long run incremental costs and to determine the prices of unbundled network elements, interconnection services, resold services, and basic local exchange services for Ameritech Michigan*, Case No. U-11280, Michigan Public Service Commission, 1998 Mich. PSC LEXIS 46, 183 P.U.R.4th 1 (Jan. 28, 1998); *In re Implementation of the Local Competition Provisions in the Telecommunications Act of 1996*, Third Order on Reconsideration and Further Notice of Proposed Rulemaking, 12 F.C.C.R. 12460 (1997); *Iowa Utilities Board v. FCC*, 120 F.3d 753 (8th Cir. 1997), *cert. granted*, *AT&T Corp. v. Iowa Utilities Bd.*, 118 S. Ct. 879 (1998).

developed in Michigan in order to prevent carrier changes. Time Warner Petition to Deny 7; e.spire Comments 15; MCI WorldCom Comments 5-6.<sup>5</sup>

The first hand experience of commenters with SBC is at least as bad. MCI WorldCom Comments 7-9. Many commenters have highlighted for the Commission the “corporate culture” of SBC — a culture “that has shown a tendency to fight and delay . . . the development of competition in its existing monopoly markets.” MCLEODUSA Comments 9; *see also* Hyperion Comments 11; Level 3 Comments 13; Focal Comments 3-4.

That corporate culture has manifested itself in Texas and California in particular, where the experiences of commenters confirm the falsity of SBC’s claim that it has “lived up to the commitments and promises it made related to the SBC-PacTel merger and this positive track record bodes well for the commitments and promises SBC has made regarding the SBC-Ameritech merger.” *See* Affidavit of James S. Kahan ¶ 103 (attached to SBC-AIT Application.). Like the recent findings of the California Public Utility Commission (“CPUC”) staff that SBC has complied with only four of the 14 checklist items and that SBC “treats CLECs as competitors rather than as wholesale customers,”<sup>6</sup> and like the recent decision of the Texas Public Utility Commission in the section 271 proceeding,<sup>7</sup> other commenters found that experiences in “Texas,

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<sup>5</sup>Ameritech also provided in-region long-distance services without first obtaining section 271 authority, thereby attempting to nullify the incentive created by section 271 for BOCs to open up their local markets. *See In re AT&T Corporation v. Ameritech Corporation, et al.*, Memorandum Opinion and Order, File Nos. E-98-41 et al., FCC 98-242 (rel. Oct. 7, 1998).

<sup>6</sup>*Pacific Bell (U 1001 C) and Pacific Bell Communications Notice of Intent to File Section 271 Applications for InterLATA Authority in California* (California Public Utilities Commission Telecommunications Division Final Staff Report, at 5-8, Oct. 5, 1998) (“CPUC Final Staff Report”); *see* MCI WorldCom Comments 7-9. A copy of the Report is available over the Internet at [http://www.cpuc.ca.gov/divisions/telecom/final\\_report/table\\_of\\_contents.htm](http://www.cpuc.ca.gov/divisions/telecom/final_report/table_of_contents.htm).

<sup>7</sup>A copy of the Texas Public Utility Commission’s Order issuing a recommendation that SBC has not met the requirements of section 271 in Texas is available over the Internet at

California, and Oklahoma have documented the deep seeded problem in SBC's approach to local competition." Consumer Federation of America and Consumers Union ("CFA/CU") Comments 10-11 (listing the specific areas where SBC fails to meet requirements for entry into in region long distance); *see* AT&T Petition to Deny 13-17, 19-21 (SBC has earned its title as the "Bully Bell" through its scorched earth tactics and has failed to honor its commitments in California made during the PacBell merger); e.spire Comments 13-15 (noting failures of SBC in Texas to comply with section 271 requirements); Corecomm Comments 5-10 (noting problems with SBC in Texas and deterioration in service for California consumers after the SBC-PacBell merger).

Indeed, a United States District Court confirmed the anticompetitive nature of SBC's strategy:

One thing that is clear from this litigation is that SWBT's primary tactic is stalling to delay local competition--and it is equally evident the LSPs [Local Service Providers] will stall when it comes time for SWBT to enter the long-distance market under section 271 of the FTA. The PUC and the courts must have some power to put a shot clock on this four-corner offense, or else the monopolies will stall until the game is over.

SWBT argues entering the long-distance market under section 271 is a 'carrot' to encourage it to quickly open up the local telephone service market. Entering the long-distance market may indeed be SWBT's carrot, but it is a small carrot, and keeping its local monopoly profits for as long as possible is SWBT's Lifestyles of the Rich and Famous all-you-can-eat buffet.

Order, *Southwestern Bell Telephone Company v. AT&T Communications of the Southwest, Inc.*, No. A 98-CA-197 SS (Nov. 9, 1998, W.D. Texas).

With local competition in its infancy, the risks from a merger of this size between regional monopolists that, independent of one another, have behaved so poorly in the past cannot be overestimated. As commenters have recognized, the sheer size and reach of a mega-BOC like SBC-Ameritech-SNET-PacBell would give the combined entity enormous power to block



competition for local exchange service, thereby harming both consumers and competitors. *See, e.g.,* Consumer Coalition Comments 10-15; Sprint Petition to Deny 20-24. In short, permitting SBC and Ameritech to merge and gain monopoly control over one out of every three access lines in this country would erect even higher barriers to local competition.

## **II. THE “NATIONAL LOCAL” STRATEGY OF SBC-AMERITECH IS DEFENSIVE, NOT OFFENSIVE, AND INDEPENDENT OF THE PROPOSED MERGER.**

There is virtual consensus among commenters opposing the merger that SBC-Ameritech’s assertion that it will compete out-of-region through a “national local strategy” is a hollow promise. *See* MCLEODUSA Comments 2-4 (significant reduction in ILECs decrease the incentives of ILECs to compete against one another); CoreComm Comments 12 (claim that merged entity will compete out-of-region is not credible); Focal Comments 10 (increase in size of ILECs decreases incentives to compete against one another); CFA/CU Comments 23 (“There is no reason why a company which has shown no inclination whatsoever to compete, should be suddenly transformed into a vigorous competitor.”); MCI WorldCom Comments 10. Commenters recognize that the principal purpose and effect of the merger is not to increase out-of-region competition, but to decrease in-region competition. *See* AT&T Petition to Deny 13-19; Hyperion Comments 5-8 (merger will lead to tacit collusion among large BOCs in most market segments); MCI WorldCom Comments 9-15. Indeed, the true purpose of the merger is to lock up the business of the nearly one half of Fortune 500 companies based in the combined region. *See* Focal Comments 11 (focus of strategy is to target large business customers); e.spire Comments 13 (purpose of SBC-Ameritech plan is “not to compete, but rather to make it too difficult for other carriers to compete against it”); MCI WorldCom Comments 10. By enabling SBC and Ameritech immediately to provide facilities-based local service at a higher percentage

of these customers' locations without any additional investment or reliance on out-of-region ILECs, the merger will increase SBC's and Ameritech's advantage over CLECs that must undertake the lengthy and expensive process of building out their networks to many of these diverse locations and must depend on the ILEC to reach the rest. SBC's and Ameritech's "national local" strategy is nothing more than an attempt to take advantage of the current lack of local competition in their regions — and to preempt its further development — by locking up the business of the nearly half of the Fortune 500 companies with headquarters in their regions. *See* MCI WorldCom Comments 10-12.

Whether SBC-Ameritech will actually choose to compete out-of-region will not be driven by the size of the combined entity — SBC and Ameritech can easily finance their "national local" strategy independent of one another. *See* MCI WorldCom Comments 28-31; AT&T Petition to Deny 38-43 (detailing the resources available to each company to compete effectively); Telecommunications Resellers Association ("TRA") Comments 9; Corecomm Comments 14; e.spire Comments 11-13 (much smaller CLECs are currently pursuing strategies akin to the "national local" strategy without "the benefits of a captive customer base" or "assets bought and paid for by almost a century of monopoly revenues sitting in the ground and in the bank"). Instead, the decision to compete will be driven by whether the proposed company believes that the benefits of competing outweigh the risks — that others will compete against it. But that is a choice that the two companies face irrespective of the merger. *See* MCI WorldCom Comments 26-27; Level 3 Comments 10 (SBC "presents powerful argument for why it will have to compete for local business outside its region even without the merger") (emphasis in original); Sprint Petition to Deny 48-51 (the "national local" strategy is not in any way tied to the merger). If the two companies truly desire to break the nonaggression pact among ILECs that has

governed for the past two and a half years, they can do so right now — and they have at least some current plans to compete against one another. *See* AT&T Petition to Deny 24-28 (noting how “well positioned” the two companies are to compete against one another); TRA Comments 8 (decision to compete against one another will be driven by “business necessity”); CFA/CU Comments 22 (SBC should be “particularly keen to attack Ameritech’s markets, since Ameritech had actually moved to enter some of SBC’s markets.”); MCI WorldCom Comments 33-35. Denial of SBC’s and Ameritech’s application would not mean less out-of-region competition; it would mean that SBC and Ameritech would pursue their objectives through competition and not through merger.

### **III. THE MERGER WILL SIGNIFICANTLY IMPACT THE ABILITY OF REGULATORS AND CUSTOMERS TO BENCHMARK ILEC PERFORMANCE.**

As MCI WorldCom and other commenters have noted, benchmarking local exchange service is vital to permit regulators and customers to compare the performance of ILECs in fulfilling their obligations under the Act and to see whether ILECs are doing all that can be done in order to make local exchange competition a reality -- in particular providing monopoly services (including exchange access) on reasonable and nondiscriminatory terms. *See* AT&T Petition to Deny 38-41; MCI WorldCom Comments 17-23. Benchmarking allows the Commission “to ensure just and reasonable rates, constrain market power, [and] establish and enforce the pro-competition rules necessary to achieve competition and deregulation.” *In re Applications of NYNEX Corporation Transferor, and Bell Atlantic Corporation, Transferee, For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries*, Memorandum Opinion and Order, File No. NSD-L-96-10, FCC 97-286 (rel. Aug. 14, 1997) (“*BA-NYNEX Order*”)

¶ 156. As the Commission has recognized, the use of benchmarking has been broadly recognized and embraced, even by the parties now before the Commission. *See BA-NYNEX Order* ¶ 149.

At the recent FCC *en banc* hearing concerning the proposed mergers of SBC-Ameritech, Bell Atlantic-GTE, and AT&T-TCI, the Chairman of Ameritech argued that the Commission should not be troubled by the negative impact on benchmarking a reduced number of ILECs would cause because the “utilization of benchmarking is not as effective a tool as it has been in the past,” and benchmarking “is a practice we started back in the early ‘80’s” that has essentially outlasted its usefulness. Transcript of Hearing, *In re: FCC Merger En Banc* (Oct. 22, 1998) (“FCC Merger Transcript”) (Testimony of Richard C. Notebaert) at 54. Nothing could be further from the truth. The premise of this argument that regulators no longer need benchmarks to regulate these services appears to be that effective competition has now developed for them. That premise is demonstrably false, and the degree of competition has not changed so dramatically in the 15 months since the *BA-NYNEX Order* to eliminate the need for them.<sup>8</sup>

Indeed, reduction of the number of ILECs makes benchmarking significantly more difficult because ILECs engage in a wide variety of abusive practices intended to preclude local competition, but different ILECs use different anticompetitive tactics. The current number of remaining ILECs gives the Commission and state commissions at least some reasonable opportunity to assess differing positions on issues both large and small — and to select the

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<sup>8</sup>At the *en banc* hearing, another ILEC also argued that “new benchmarks” are needed for the new services emerging in the global marketplace FCC Merger Transcript (Testimony of Ivan Seidenberg, Chairman Designate of Bell Atlantic) at 72-73. MCI WorldCom certainly agrees that benchmarking will be essential for new monopoly services provided by ILECs, such as xDSL service, just as it is vital today to measure the performance of ILECs in opening up their local exchange monopolies.

approach that best advances the goals of competition. *See* TRA Comments 14-15; Sprint Petition to Deny 32-41 (decreased ability to benchmark will increase ILECs' ability to discriminate against CLECs); MCI WorldCom Comments 17-18.

The absorption of Ameritech into SBC would reduce the number of major ILECs to five, and to four with Bell Atlantic's consumption of GTE, thereby severely compromising the ability of regulators and customers to benchmark. The end result may be the worst of both worlds, with SBC-Ameritech selecting the lowest common denominator in those instances where SBC and Ameritech currently have different policies or practices and one is more competition-friendly than the other. *See* MCI WorldCom Comments 23.

#### **IV. APPROVAL OF THIS MERGER WITH APPROVAL OF BA-GTE CREATES "BELL EAST" AND "BELL WEST."**

SBC's and Ameritech's merger cannot be viewed independent of other proposed mergers among ILECs. If the pending Bell Atlantic-GTE merger is permitted to proceed along with the SBC-Ameritech merger, the two resulting companies could together dominate the provision of local telephone service — and possibly even bundled local, long-distance, wireless, and Internet service. That is why so many commenters have requested that the Commission carefully scrutinize this merger in the context of what the telecommunications landscape will look like if it — and BA-GTE — are approved. *See, e.g.,* AT&T Petition to Deny i; CFA/CU Comments 2-3; CoreComm Comments 2; MCI WorldCom Comments vii.

That marketplace would consist of two monopolists that control 70% of the country's local telephone lines and that have to date consistently impeded local exchange competition. Given the enormous size and scope of the result of these two proposed mergers, approval of SBC's acquisition of Ameritech would make it virtually impossible for the Commission to

provide any principled basis to disapprove SBC's subsequent acquisition of U S West, or even a merger of SBC-Ameritech-PacBell-SNET and BA-NYNEX-GTE-PRTC. The Commission should stop this process of monopoly consolidation now — before it is too late.

**V. THE FEW COMMENTS SUPPORTING THE MERGER DO NOT PROVIDE A SUFFICIENT BASIS TO GRANT THE APPLICATION.**

Very few commenters supported the proposed merger, and those that did share one thing in common: a failure to comprehensively examine the consequences of this merger for competition in relevant markets. Typical of the few large business customers of SBC or Ameritech who have filed comments in support of the merger is Shell Oil Company. Shell argues that for its sites in Texas and California, it is “increasingly important for Shell to have a carrier or carriers that can provide service anywhere, any time, in a way that is transparent to the end user” including provision of local, long distance, voice, and data services. *See* Shell Comments 2. Shell suggests that the merger and the execution of the “national local” strategy will permit SBC to become that carrier. *Id.*

But SBC already does provide local service in both California and Texas. The merger will not enable SBC to provide long-distance service in any in-region state, and it can already provide local and long-distance service in states in Ameritech's region and elsewhere in the United States. SBC's present lack of authority to provide bundled services like long distance and local service to Shell's sites in Texas and California results not from size or scope considerations, but from SBC's refusal to implement the competitive checklist and other requirements of section 271 of the Communications Act. In short, SBC and Ameritech each has complete control over its ability to provide bundled service anywhere in the country, and the merger will do nothing to expedite either company's entry into long distance in any in-region state. Moreover, Shell

implicitly accepts at face value SBC's claim that it would not compete out-of-region without acquiring Ameritech, but in fact the merger would not make out-of-region competition by SBC or Ameritech more likely. *See* MCI WorldCom Comments 9-15.

Although a few other large business customers support the merger, commenters representing the interests of residential consumers oppose the merger. Residential consumers already realize that this merger offers nothing to them, and the few large businesses which have disagreed will come to recognize in time that the downsides of the merger outweigh any alleged upside. *See, e.g.*, CFA/CU Comments 1 (consumers lose as a result of the merger because actual and potential competition between SBC and Ameritech is eliminated); Texas Office of Public Utility Counsel Petition to Deny 7 (consumers lose in Texas because Ameritech had every intention of competing against SBC in Texas prior to announcement of merger).

Only two other commenters support the merger: Citizens for a Sound Economy Foundation ("CSEF") and the Communication Workers of America ("CWA"). The comments of CSEF are striking in their complete disregard of the pertinent facts and lessons learned over the last 20 years in the telecommunications industry. Undeterred by the fact that CLECs have been unable for almost three years to make a significant dent in SBC's and Ameritech's extraordinary market power in their regions, CSEF blithely suggests that "even if the merger somehow created a degree of market power, the inherent dynamism of the telecommunications market protects consumers from long-run harm." CSEF Comments 4. That bald assertion, of course, ignores the reality that local monopolists like SBC and Ameritech have proven their ability to inflict long-term harm on consumers since the 1996 Act became law. For its part, CWA's comments are nothing more than a condensed version of SBC-Ameritech's public interest statement, containing

only restatements, block quotes, and citations to SBC-Ameritech's application, without any independent analysis.

Equally important, as explained in the next section, neither the handful of large business customers commenting in support of the proposed merger, nor CSEF and CWA, address the potential impact of the merger on competition to provide Internet services.



**VI. NONE OF THE COMMENTS UNDERCUTS MCI WORLDCom'S SHOWING THAT THE PROPOSED MERGER POSES A MAJOR THREAT TO INTERNET COMPETITION.**

As explained in MCI WorldCom's comments (at 35-48), the proposed SBC-Ameritech merger would threaten the vibrant competition that exists today in Internet services. None of the commenters disputes the seriousness of this threat or contradicts the facts that demonstrate this threat. The merger would enable SBC and Ameritech to distort Internet competition by giving the merged company control over one-third of U.S. Internet users. The commenters do not dispute that SBC and Ameritech have abused, and will continue to abuse, their bottleneck control over high-bandwidth xDSL services to residential and small business Internet users to enhance the market position of the ILEC's own Internet Service Providers ("ISPs"). *See* MCI WorldCom Comments 38-46. An independent study released in early November confirmed the growing importance of high-bandwidth delivery of Internet services when it found that 84 percent of residential Internet users want high-bandwidth Internet access, and the consumers most willing to pay for high-bandwidth service vastly prefer xDSL service over competing cable modem options.<sup>9</sup> It is exactly this major potential market segment that SBC and Ameritech are trying to lock up and steer to their own ISPs. *See* MCI WorldCom Comments 42-44.

If permitted to become through merger and bottleneck control a dominant ISP, SBC-Ameritech would be able to exert power over Internet content providers and advertisers (even providers that do not use SBC-Ameritech as their ISP). If SBC-Ameritech provide Internet service to a significant percentage of users, it could also create a new Internet "portal" and steer

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<sup>9</sup>*See* "Yankee Group Finds Consumer Demand for High-Speed Internet Services Growing, but Availability is Limited," Press Release (Nov. 6, 1998), <http://www.yankeegroup.com/yg.nsf/7660ab3cde06b649852566580069c4ce/b16fa9a7e38d548c852566b4004cbaea?OpenDocument>.

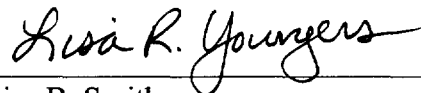
users to that site, thereby giving SBC-Ameritech great influence over the providers seeking access to those users. SBC-Ameritech would control the first screen that it displays to its customers, and content providers and advertisers that want to be featured on that screen would have to do business with SBC-Ameritech on its terms.

SBC and Ameritech are also trying illegitimately to increase their share of the Internet business by imposing inflated access charges on Internet traffic. *Id.* 46-47. If SBC and Ameritech are permitted to merge, they will combine their Internet businesses generated in large part through misuse of their bottleneck control and approach market dominance over the Internet. The threat to the Internet increases if Bell Atlantic and GTE are permitted to merge. The threat posed by the proposed SBC-Ameritech and Bell Atlantic-GTE mergers, singly and in combination, deserves the Commission's serious attention.

## CONCLUSION

The proposed merger of SBC and Ameritech would harm the public interest because it would reduce local competition and threaten Internet and long distance competition. The application of SBC and Ameritech should be denied. If the Commission decides to consider granting the application subject to conditions, it should seek public comments on specific potential conditions before reaching any conclusion.

Respectfully submitted,  
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Dated: November 16, 1998

## CERTIFICATE OF SERVICE

I Lonzena Rogers, do hereby certify, that I have on this sixteenth day of November, 1998 served by first-class United States mail, postage paid, a true copy of the forgoing SBC - Ameritech Reply Comments, upon the following:

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